



Patrick W. Henning, Director
January 7, 2008
22M:367:SEC:8007



Arnold Schwarzenegger
Governor

Ms. Kathy M. Gallagher, Director
Department of Social Services
Santa Barbara County
234 Camino del Remedio
Santa Barbara, CA 93110

Dear Ms. Gallagher:

WORKFORCE INVESTMENT ACT
85-PERCENT PROGRAM REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2007-08

This is to inform you of the results of our review for Program Year (PY) 2007-08 of the Santa Barbara County's (SBC) Workforce Investment Act (WIA) 85-Percent grant program operations. We focused this review on the following areas: Board composition, One-Stop delivery system, program administration, WIA activities, participant eligibility, local program monitoring of subrecipients, grievance and complaint system, and management information system/reporting.

This review was conducted by Ms. Stacy Corrales from October 15, 2007 through October 19, 2007.

Our review was conducted under the authority of Sections 667.400 (a) and (c) and 667.410 of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by SBC with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations for PY 2007-08.

We collected the information for this report through interviews with SBC representatives and service provider staff. In addition, this report includes the results of our review of selected case files, SBC's response to Section I and II of the Program On-Site Monitoring Guide, and a review of applicable policies and procedures for PY 2007-08.

We received your response to our draft report on December 17, 2007 and reviewed your comments and documentation before finalizing this report. Because your

response adequately addressed findings 1, 2, 3 and 4 cited in the draft report, no further action is required at this time. However, these issues will remain open until we receive the requested documentation and verify your implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 80008, 80009, 80010, and 80011.

BACKGROUND

The SBC was awarded WIA funds to administer a comprehensive workforce investment system by way of streamlining services through the One-Stop delivery system. At the time of our review, very little of WIA funding allocated for PY 2007-08 was expended. For PY 2006-07, SBC was allocated: \$1,039,145 to serve 95 adult participants; \$1,235,271 to serve 304 youth participants; and \$578,525 to serve 109 dislocated worker participants.

For the quarter ending June 30, 2007, SBC reported the following expenditures for its WIA programs for PY 2006-07: \$761,070 for adult participants; \$491,669 for youth participants; and \$253,478 for dislocated worker participants. In addition, SBC reported the following enrollments for PY 2006-07: 71 adult participants; 248 youth participants; and 62 dislocated worker participants. We reviewed case files for 30 of the 93 participants enrolled in the WIA adult and dislocated worker programs as of October 8, 2007.

PROGRAM REVIEW RESULTS

While we concluded that, overall, SBC is meeting applicable WIA requirements concerning grant program administration, we noted instances of noncompliance in the following areas: Memorandum of Understanding (MOU), Local Workforce Investment Board (LWIB) composition, oversight and monitoring, and Individual Training Account (ITA) tuition recovery. The findings that we identified in these areas, our recommendations, and SBC's proposed resolution of the findings are specified below.

FINDING 1

Requirement: WIA 121(a)(1) states, in part, that the local board shall develop and enter into an MOU with One-Stop partners.

20 CFR 662.230(c) states, in part, that required One-Stop partners must enter into an MOU with the LWIB relating to the operation of the One-Stop system.

Observation: We observed that SBC does not have an MOU with its required partner, the California State Department of Rehabilitation (DOR).

Recommendation: We recommended that SBC develop a corrective action plan (CAP) for entering into an MOU with DOR. We also recommended that SBC provide the Compliance Review Division (CRD) with a copy of the MOU once it is signed by all required parties and fully executed.

SBC's Response: The SBC stated that the MOU with DOR was submitted to the State level Chief for signature. A timely signature and return has been promised by DOR. Upon receipt of the signed MOU, a copy will be forwarded to CRD.

State Conclusion: The SBC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we receive a copy of the executed MOU with DOR. Until then, this issue remains open and has been assigned CATS number 80008.

FINDING 2

Requirement: WIA117(b)(2) states, in part, that membership of each LWIB shall include representatives of businesses in the local area.

WIA 117(b)(2)(A)(v) states, in part, that the membership of each LWIB shall include representatives of economic development agencies, including private sector economic development entities.

20 CFR 661.315(d) states, in part, that a majority of the members of the local board must be representatives of businesses in the local area.

Observation: We observed that the composition of SBC's LWIB does not include the required majority of representatives of businesses in the local area. Specifically, of the 29 Board members, only 14 representatives are from the local business sector. This issue was noted in CRD's Final 85-Percent Program Monitoring Reports for PY 2004-05 and 2006-07. We also observed that SBC's local board is missing a representative of a private sector economic development agency.

Recommendation: We recommended that SBC provide CRD with a CAP, including a timeline, for appointing the required members currently not represented on the board. We also recommended that once these positions are filled, SBC provide CRD with an updated roster of all members.

SBC's Response: The SBC stated that it continues to recruit new WIB members but has been hampered in its recruitment of the missing WIB members by the lack of a permanent Executive Director. The SBC expects to recruit a permanent Executive Director by early Spring 2008, and the recruitment of the missing WIB members will be the priority for the Board and new Director. Once the positions are filled, an updated roster of all members will be provided to CRD. The SBC also provided copies of its WIB recruiting materials.

State Conclusion: The SBC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we receive a copy of SBC's WIB roster documenting the required Board composition. Until then, this issue remains open and has been assigned CATS number 80009.

FINDING 3

Requirement: 20 CFR Section 667.410(a) states, in part, that each recipient and subrecipient must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors.

WIAD00-7 states, in part, that the monitoring of subrecipients follow a standardized review methodology that will result in written reports which record due dates for the accomplishment of corrective actions.

The SBC Youth Policies and Procedures Manual states, in part, that the Monitoring Report Summary issued to subrecipients include the deadline for corrective action.

Observation: We observed that the monitoring reports issued for PYs 2005-06 and 2006-07 contained recommendations for corrective action but no deadline for accomplishing those corrective actions.

Recommendation: We recommended that SBC develop a CAP, including a timeline, explaining how it will ensure that monitoring reports include timelines for completion of the necessary corrective actions to resolve the findings.

SBC's Response: The SBC stated that it revised its WIA Monitoring Report template to include procedures for timelines for completion of corrective actions and enclosed a copy of its revised template. Additionally, the revised template includes a section for follow-up of the subrecipient's corrective action plans.

State Conclusion: The SBC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, SBC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80010.

FINDING 4

Requirement: The Department of Labor One-Stop Comprehensive Financial Management Technical Assistance Guide (TAG), states, in part, that payments under ITAs are governed by the cost standards applicable to the expenditure of all Federal funds. Unless specifically required as a condition of attendance, as in a tuition payment required before beginning a formal training course, payments should not be made in advance of the receipt of services.

WIAD04-4 states, in part, that all subrecipients of WIA funds must produce and maintain a written policy/procedure at the local level to ensure the recovery of unused WIA training monies. The policy/procedure should include:

- Who the responsible party is for acknowledging or determining a refund is due for early termination of a participant's training.
- How often the participant is tracked to determine the participant is still receiving training and to ensure prompt return of any unused training monies.
- Who is responsible for the collection process of any outstanding training and/or tuition refund.

The SBC's De-Obligation and Recovery of ITA Contract Funds policy states, in part, that the training provider is to notify the WIA case manager of a participant's withdrawal from training. The recovery policy further states that the training provider's published catalog provides clarification of the refund policy.

Observation: We observed one participant case file where the participant stopped attending training after August 23, 2006, after attending four classes, however, a second tuition payment was authorized on September 25, 2006. Although the participant did not formally withdraw from classes, attendance records sent weekly to SBC showed that the participant had not attended training. A refund was not requested until the CRD monitor questioned this payment. The SBC's De-Obligation and Recovery of ITA Contract Funds policy requires the training provider to initiate a refund and does not address the steps a case manager or supervisor may use to initiate a refund for unused training funds.

Recommendation: We recommended that SBC provide CRD with a CAP, including a timeline, for revision of its De-Obligation and Recovery of ITA Contract Funds policy to add case managers and supervisors as parties who may initiate a refund of unused Tuition/Training funds.

SBC's Response: The SBC stated that it revised its De-Obligation and Recovery of ITA Contract Funds policy to clarify that case managers and supervisors are parties that may, and should, initiate a refund of unused tuition/training funds. Additionally, the new policy requires that a copy of correspondence sent from a case manager or supervisor to the SBC WIA Fiscal Accounting Clerk be retained in the participant case file. The SBC enclosed a copy of the revised policy, and expected to review the revised policy during a staff training session in December, 2007.

State Conclusion: The SBC's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, SBC's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 80011.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. It is SBC's responsibility to ensure that its systems, programs, and related activities comply

Ms. Kathy M. Gallagher

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with the WIA grant program, Federal and State regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain SBC's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Mr. Jim Tremblay at (916) 654-7825 or Ms. Stacy Corrales at (916) 653-6123.

Sincerely,

A handwritten signature in black ink, appearing to read "Jessie Mar", written in a cursive style.

JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: Shelly Green, MIC 45
Jose Luis Marquez, MIC 50
Norma McKay, MIC 50,
Linda Patton-Finch, MIC 50